

# **Quality in EITC Campaigns:**

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## **Results from the 2008 Tax Season**

*Prepared by Amy Brown for  
The Annie E. Casey Foundation*

June, 2008

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### Executive Summary

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The Annie E. Casey Foundation launched the National Tax Assistance for Working Families Campaign (NTA) in January 2003 as a way to expand the impact of local Earned Income Tax Credit (EITC) outreach and free tax preparation projects. In 2007, forty-two participating campaigns completed 193,025 tax returns, bringing nearly \$276 million in federal and state tax refunds to low-income working families.

For the past four years, the Foundation has supported an annual review of individual tax returns prepared by a subset of campaigns. The reviews provide some of the only concrete and comprehensive data available about the quality of free tax preparation programs. After establishing baseline data about the accuracy of tax returns in 2005, the 2006 and 2007 studies zeroed in on site characteristics and operational factors that correlate with high-quality programs. Larger sites, a two-step intake process and – most significantly – a formal on-site quality review process have all been consistently associated with lower levels of tax preparation mistakes.<sup>1</sup> The 2007 study went a step further, and identified key practices that can make the review process itself more successful. Based on those findings, the Aspen Institute, with support from the Annie E. Casey Foundation, developed an on-line quality review training course and checklist.<sup>2</sup>

This report presents the results of from the 2008 study, which evaluates the effectiveness of the on-line training and review process. The research examined 198 returns at 12 free tax preparation sites from four NTA campaigns. Three of the campaigns were chosen because they participated in the study for the past two years – and struggled with quality over that time. The idea was to see whether on-site quality review could make a difference in those sites. The fourth is a new campaign that had not participated in the study before. It represents additional data points and an independent reality-check of the effectiveness of quality review. All four campaigns agreed to incorporate quality review procedures at their tax sites, to assign staff or volunteers to the quality review role, and to instruct those individuals to take the on-line training course.

The process for the study itself was the same as in previous years: at each site, returns were reviewed after tax preparation was complete (including the local review process) but before the filer left the site. This allowed the research to not only look at the tax returns themselves but also examine all documents and ask questions of filers. The reviews covered all aspects of each federal tax return, including: personal data; dependency and exemptions; income, deductions and adjustments; schedules, worksheets and attachments; tax credits; and e-filing and direct deposit.

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<sup>1</sup> The 2006 study also looked at a small number of commercially prepared returns – and found that mistakes by paid preparers appear to be both much more common and much more serious those by free tax sites.

<sup>2</sup> The training is free to all low-income tax preparation programs and can be accessed at [www.eitcplatform.org](http://www.eitcplatform.org). The Aspen Institute is planning to improve and update the training for the 2009 tax season.

## **Major Findings**

**1. On-site quality review made a clear and powerful difference. Repeat sites reduced the number of errors by 75%.**

The first three years of research not only established baseline data on quality but also honed in on ways to improve quality in EITC campaigns. Perhaps the most promising practice appeared to be a formal review of each tax return before the client left the site. This year, four campaigns implemented this practice, taking advantage of a new on-line training course and checklist. And the results were dramatic. At repeat sites, the percent of returns with mistakes dropped from 39% to 15%, and the average number of mistakes per return plummeted from 0.8 to 0.2.

**2. The degree to which quality review is effective appears to be related to site capacity – but even the site with the most operational difficulties made remarkable improvement by implementing the reviews.**

The 2008 study included two large campaigns with paid site staff and strong centralized support. A third site was smaller and relied more on volunteers, but still had strong centralized support. The fourth was a mostly volunteer effort with only limited support from the coordinating organization. The differences were clear when visiting the sites, and the fourth campaign visibly struggled with capacity, in terms of number and expertise of volunteers, space constraints, computer systems, etc. That lack of overall capacity translated into poorer quality overall, and in particular, quality reviewers had less tax law knowledge and more competing responsibilities than at other campaigns. Despite these challenges, however, even the fourth site was able to dramatically reduce the number of mistakes made and to post quality results that were better than the average site in the 2007 study.

**3. The same areas still cause problems – especially education and savers credits, self-employment and itemizing – but the quality reviews reduced mistakes across the board.**

As has been the case in each year of the study, more complicated returns are more likely to have mistakes. However, the benefits of quality review appear to cut across the board. For example, only 25% of self-employment returns had mistakes in 2008, compared with 64% in 2007. Thus quality review reduces to some extent the pressure on sites to address these trouble areas in other ways. Furthermore, increased emphasis on these areas in the on-line training might further reduce the extent to which mistakes are made.

**4. Reviewer experience appears to correlate strongly with quality; within the mix of quality review practices, however, it is unclear how much each component matters.**

Attempting to break down the relative importance of various reviewer characteristics and practices is difficult. Three often overlapping characteristics stand out as making a difference: using paid staff as reviewers; the number of hours a reviewer spends on the job; and the years of tax experience the reviewer holds. However, other factors – even the on-line training – do not stand out as clearly. It seems that the quality review process as a whole creates a high-quality culture at the sites – and in that environment, each individual factor is less critical.

## **Recommendations and Conclusion**

Free tax preparation programs fill a critical need in low-income communities. They educate workers about their tax obligations and the benefits available through the EITC and other tax credits. They offer an alternative to commercial firms that can charge more than \$100 for tax preparation. And they promise the expertise of trained tax preparers who can help filers interpret the often complicated and intimidating tax code.

The results from all four years of the research suggest that these programs can also provide a high quality service to low-income filers. But the most recent results emphasize that site operations – in particular a formal quality review process is the key to ensuring the kind of quality that campaigns strive to achieve. This is a very positive and promising result. Even smaller campaigns with limited capacity and fewer resources can significantly improve their quality by implementing a review process and taking advantage of the free on-line training.

*This report strongly recommends that on-site quality review become a standard operating procedure at all free tax preparation sites, and that, to the extent possible, campaigns:*

- Prominently emphasize the commitment to quality, encouraging a “culture of quality” throughout the campaign.
- Assign paid staff to the quality reviewer role (either site managers or dedicated staff).
- Take advantage of the on-line training by requiring all reviewers to complete the course.
- Use a formal checklist in completing each review, such as the one provided in the on-line training.
- Monitor sites during the tax season to make sure that the review process is being consistently used.
- Train site managers on the importance of the quality review process so that they understand the value of the added time required.
- Take steps to ease backlog at sites during the busiest times of the tax season, to reduce the tension between quality and quantity.

Quality review should no longer be viewed as a luxury for those sites with high levels of resources and expertise. The on-line training offers an opportunity for every level of site and campaign to implement quality review, and the results described here show that the process can have a dramatic impact at even a small, struggling campaign. Tax preparation is complicated and confusing. Quality review provides support for volunteer tax preparers and reassurance for the low-income workers who come to sites for help.

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## Part I: Introduction

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### Background

The Annie E. Casey Foundation launched the National Tax Assistance for Working Families Campaign (NTA) in January 2003 as a way to expand the impact of local Earned Income Tax Credit (EITC) outreach and free tax preparation projects. In 2007, forty-two participating campaigns completed 193,025 tax returns, bringing nearly \$276 million in federal and state tax refunds to low-income working families. The NTA includes a range of campaigns, from city-wide efforts to neighborhood programs to rural sites. Each of the participating campaigns is committed to:

- promoting awareness of tax benefits, especially the EITC, among low-income working families;
- providing low-cost or free tax preparation;
- conforming to quality standards to reduce error rates in filed returns; and
- incorporating the use of tax refunds as part of an overall asset-building strategy.

Almost all of the campaigns partner with the Internal Revenue Service under the Volunteer Income Tax Assistance (VITA) program. The IRS provides free tax preparation software and, depending on the site, varying levels of training, hardware and technical assistance. While providing high quality services has always been a central part of campaigns' mission, there has been little data about the level of quality in return preparation. Indeed, there is little information about the quality of tax preparation generally, whether by free sites or commercial firms.

For the past four years, the Foundation has supported an annual study of individual tax returns prepared by a subset of campaigns. The studies provide some of the only concrete and comprehensive data available about quality in free tax preparation. After establishing baseline data about the accuracy of tax returns completed by EITC campaigns in 2005, the 2006 and 2007 studies zeroed in on site characteristics and operational factors that correlate with high-quality programs. Larger sites, a two-step intake process and – most significantly – a formal on-site quality review process have all been consistently associated with lower levels of tax preparation mistakes.<sup>3</sup> The 2007 study went a step further, and identified key practices that can make the review process itself more successful. Based on those findings, the Aspen Institute, with support from the Annie E. Casey Foundation, developed an on-line quality review course and checklist.<sup>4</sup>

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<sup>4</sup> The training is free to all low-income tax preparation programs and can be accessed at [www.eitcplatform.org](http://www.eitcplatform.org). The Aspen Institute is planning to improve and update the training for the 2009 tax season.

## The Research Model

This report presents the results of from the 2008 study, which evaluates the effectiveness of the on-line training and review process. The research examined 198 returns at 12 free tax preparation sites from four NTA campaigns. Three of the campaigns were chosen because they participated in the study in the past two years – and struggled with quality over that time. The idea was to see whether on-site quality review could make a difference in those sites. The fourth is a new campaign that had not participated in the study before. It represents additional data points and an independent reality-check of the effectiveness of quality review. All four campaigns agreed to incorporate quality review procedures at their tax sites, to assign staff or volunteers to the quality review role, and to instruct those individuals to take the on-line training course.

The process for the study itself was the same as in previous years. Site visits took place in between January and April 2008. At each site, returns were reviewed after tax preparation was complete (including the local review process) but before the filer left the site. This allowed the research to not only look at the tax returns themselves but also examine all documents and ask questions of filers. The reviews covered all aspects of each federal tax return, including: personal data; dependency and exemptions; income, deductions and adjustments; schedules, worksheets and attachments; tax credits; and e-filing and direct deposit. While the research model may not stand up to rigorous standards for statistical significance, enough sites were visited and returns reviewed to give a meaningful picture of quality in NTA campaigns. Because the local-level data is not necessarily of equal reliability, the identities of individual sites are not disclosed in this report, to protect the confidentiality of campaigns.

This report uses the data collected to address the following questions:

- *How common are mistakes?*
- *Did quality improve at returning campaigns?*
- *How serious are mistakes?*
- *What types of mistakes are made?*
- *What is the cost of mistakes?*
- *Does the complexity of returns matter?*
- *Do specific reviewer characteristics and practices correlate with improved quality?*
- *What are the recommendations for improving quality in EITC campaigns?*

## Part II: Findings on Return Accuracy

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### 1. How Common Are Mistakes?

Tax preparation is a complex process, involving potentially hundreds of decision points, each of which offers the potential for error. This study takes a comprehensive look at tax return accuracy – reviewing all forms and issues associated with each return – while at the same time focusing primarily on key areas relevant to low-income tax returns.<sup>5</sup> Because a single return can contain

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<sup>5</sup> Some notes on the analysis: 1) Because all sites used computer software to prepare returns, mathematical errors were not an issue here. 2) While most mistakes on the same return are independent events (for example, a mistyped social security number and an incorrect tax credit), some mistakes are linked (for example, an incorrect filing status could lead to an incorrect determination of EITC eligibility).

multiple mistakes, this analysis looks at accuracy through two somewhat different lenses: percent of returns with mistakes and average number of mistakes per return.

**Table 1: Frequency of Mistakes**

Campaign	% of Returns with Mistakes	Average # of Mistakes per Return
A	11%	0.2
B	14%	0.2
C	15%	0.2
D	29%	0.3
All	15%	0.2

Overall, 15% of returns had at least one mistake and the typical return contained 0.2 mistakes. Among the four campaigns, results ranged from 11% to 29% of returns with mistakes and between 0.2 and 0.3 mistakes per return. The overall results have improved each year of the study, as best practices have been identified and adopted by the campaigns. As shown in Table 2, however, the improvement in 2008 is far more dramatic than previous years – a reduction of 57% in the number of returns with mistakes and 60% in the average number of mistakes per return.

**Table 2: Frequency of Mistakes Across Years (All Sites)**

Year	% of Returns with Mistakes	Average # of Mistakes per Return
2005	48%	0.8
2006	41%	0.6
2007	35%	0.5
2008	15%	0.2

The results suggest that quality review is in fact a key to improving quality in EITC campaigns. This conclusion is reinforced by observations made during the quality study site visits. Quality reviewers were often overheard catching and correcting mistakes made by tax preparers – mistakes that otherwise would have been counted in the data. Furthermore, as described in more detail later in this report, quality review is highly effective in sites with varying levels of resources and operational capacity. The top three campaigns all had fewer mistakes than any site in all previous years of the research. But even the lowest performing campaign in 2008 achieved results that were well above the average for 2007.

## 2. Did Quality Improve at Returning Campaigns?

Three of the campaigns in the 2008 study were chosen because they had participated in the study for two previous years and had struggled with quality during those years. The goal was to see whether the review process and training might help those campaigns finally achieve the quality results they were seeking. And in fact, it worked.

**Table 3: Same-Campaign Comparison Across Years**

Campaign	2006		2007		2008	
	% of Returns with Mistakes	Average # of Mistakes per Return	% of Returns with Mistakes	Average # of Mistakes per Return	% of Returns with Mistakes	Average # of Mistakes per Return
A	59%	0.7	28%	0.5	11%	0.2
B	40%	0.5	50%	1.2	14%	0.2
D	45%	0.7	53%	0.9	29%	0.3
All	51%	0.6	39%	0.8	15%	0.2

Each of the three campaigns has its own story:

- Campaign A actually implemented a quality review process in 2007, which contributed to a more than 50% reduction in the number of returns with mistakes. The process, however, was not standard across sites and was not consistently applied within sites. Formalizing the process and using the on-line training brought the percent of returns with mistakes down to a remarkably low 11% and reduced the number of mistakes per return to only 0.2.
- Campaign B had no review process in place in 2006 or 2007 and saw quality decline over time as sites expanded service to more tax filers. Campaign directors and site managers were all committed to quality, but lacked tools to achieve it. The quality review process and on-line training, in the context of a campaign with a relatively high overall level of commitment and capacity, was especially effective. In 2008, the campaign had less than one-third the percent of returns with mistakes and one-sixth the number of mistakes per return than the previous year. It is an astonishing turn-around.
- Campaign D provided the most difficult test. A small campaign with very limited capacity, it struggles each year to recruit volunteers and operate sites. Site managers in at least one site were openly hostile to quality reviews – they were seen as slowing down tax preparation and hurting the site’s ability to serve more filers. Problems persisted in 2008, but each site had volunteers who took the on-line training and were assigned to a reviewer role. As a result, the campaign was able to achieve reasonably high level of quality, reducing the percent of returns with mistakes by nearly half and the number of mistakes per return by two-thirds.

### 3. How Serious Are Mistakes?

A mistake on a tax return can be anything from a misspelled name to the claiming of a child who does not qualify as a dependent. The mistakes identified in this review were divided into three categories, based on the seriousness of their consequences:

- Mistakes with no consequence for the return.* Many mistakes actually make no difference to the return. Most commonly, these mistakes occur on returns where the filer has no tax liability, and therefore a change in filing status, exemptions or non-refundable credits does not affect the refund due.
- Mistakes that will likely delay receipt of a tax refund.* Most commonly, these mistakes cause an e-filed return to be rejected by the IRS (such as a mismatch in a last name or



Social Security number). Delayed refunds can cause serious problems for low-income filers who need to pay bills and other obligations, and also make it harder for campaigns to offer a competitive alternative to paid preparers and Refund Anticipation Loans.

- c. *Mistakes that change the return's bottom line.* These are the most serious mistakes, and include both mistakes that result in higher refunds (or lower the tax due), and those that result in lower refunds (or increased amounts due). Low refunds cost families money and mean that they are not getting all the tax benefits to which they are entitled. High refunds could lead to IRS audit, repayment and financial penalties.

**Table 4: Consequences of Mistakes**

Campaign	% of Returns with Any Mistake	% of Returns with Delayed Refund	% of Returns with Incorrect Refund
A	11%	0%	8%
B	14%	2%	6%
C	15%	3%	10%
D	29%	5%	20%
All	15%	2%	9%

As Table 4 illustrates, many mistakes had no consequence for the return. While 15% of returns had at least one mistake, only 2% had a mistake that would delay the refund and 9% had a mistake that changed the refund amount. This compares with 6% with a delayed refund and 23% with an incorrect refund in 2007 – once again, the lowest performing site in 2008 still outperformed the average for all sites the previous year.

**Table 5: Year-to-Year Comparison for Repeat Campaigns (Consequences of Mistakes)**

Campaign	% of Returns with Any Mistake		% of Returns with Delayed Refund		% of Returns with Incorrect Refund	
	2007	2008	2007	2008	2007	2008
A	28%	11%	3%	0%	28%	8%
B	50%	14%	14%	3%	41%	10%
D	53%	29%	18%	5%	24%	20%
All	35%	15%	6%	2%	23%	9%

Table 5 shows two-year data for the three repeat campaigns. While there is a great deal of variation among the sites, all three significantly improved their results in every category. Of particular note, previous reports have found that as the incidence of mistakes has declined, the percent resulting in incorrect refunds has grown – in other words, quality practices seemed to be more effective at reducing less serious types of mistakes (like catching typos in social security numbers). On-site quality review, however, reduced the number of incorrect refunds as well.

#### 4. What Types of Mistakes Are Made?

As noted earlier, there are potentially hundreds of points in each return where a mistake can be made. Table 6 provides more detail on the specific types of mistakes that were made, and their

seriousness. As the table shows, five areas account for more than 10% of mistakes apiece – and together account for 65% of all mistakes. These areas are: entering information from W-2s and other documents (15% of all mistakes); mistakes in determining personal exemption (15% of all mistakes); mistakes in the EITC (12% of all mistakes); mistakes in education credits (10% of all mistakes); and mistakes in the saver’s credit (15% of all mistakes).

In general, the types of mistakes parallel those of past years. This makes sense: the quality review process did not target any specific causes of error (though the on-line training did attempt to highlight common mistakes). Instead, it resulted in an across-the-board reduction in errors.

**Table 6: Mistakes, by Type and Consequence**

			Of the mistakes in each category, % resulting in:	
Category	# of Mistakes	% of All Mistakes	Delayed Refund	Incorrect Refund
Names/SSNs	2	5%	100%	0%
Address	0	0%	0%	0%
W-2s & Other Documents	6	15%	33%	67%
<b>Data Entry</b>	<b>8</b>	<b>20%</b>	<b>50%</b>	<b>50%</b>
Filing Status	3	7%	0%	33%
Personal Exemption	6	15%	0%	17%
Dependency	2	5%	0%	50%
<b>Return Basics</b>	<b>11</b>	<b>27%</b>	<b>0%</b>	<b>27%</b>
All Income Included	1	2%	0%	100%
Adjustments	1	2%	0%	100%
Schedules	3	7%	0%	67%
<b>Income &amp; Adjustments</b>	<b>5</b>	<b>12%</b>	<b>0%</b>	<b>80%</b>
EITC	5	12%	0%	100%
Child Tax Credit	1	2%	0%	0%
Dependent Care Credit	1	2%	0%	0%
Education Credits	6	15%	0%	83%
Retirement Savings Credit	4	10%	0%	100%
<b>Tax Credits</b>	<b>17</b>	<b>41%</b>	<b>0%</b>	<b>82%</b>
Paper/E-file Appropriate	0	0%	0%	0%
Direct Deposit	0	0%	0%	0%
<b>E-filing and Direct Deposit</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>All Mistakes</b>	<b>41</b>	<b>100%</b>	<b>10%</b>	<b>61%</b>

Table 7, below, gives more detail on the mistakes in tax credits. As in each of the previous years, the EITC was the most common credit received by filers, followed by the Child Tax Credit. Yet also as in previous years, it is the less common credits that more often have mistakes. Education credits in particular continue to be a serious challenge for sites. This is likely related to the complexity of the credits – tax preparers must not only determine whether a filer is eligible for an education credit, but *which* education credit to claim. Once again, however, the quality reviews appear to be effective. The percent of returns with education credits that had a mistake in the credit was reduced from more than two-thirds in 2007 to one-third in 2008.

**Table 7: Mistakes in Tax Credits**

Type of Credit	# of Returns with the Credit	% of Returns with the Credit	# of Returns with the Credit that have a Mistake in the Credit	% of Returns with the Credit that have a Mistake in the Credit
Earned Income Tax Credit	70	35%	5	7%
Child Tax Credit	49	25%	1	2%
Child and Dependent Care Credit	7	4%	1	14%
Education Credits	18	9%	6	33%
Retirement Savings Credit	22	11%	4	18%

**5. What is the Cost of Mistakes?**

As in previous years, returns with an incorrect refund amount were split roughly 50/50 between those that cost the filer by understating the refund and those that gave the filer a larger refund than he or she was due – though again, both categories were much lower than in the past.

**Table 8: Mistakes in Refund Amount**

Campaign	% of Returns with Too-High Refund	% of Returns with Too-Low Refund	Total % of Returns with Incorrect Refund
A	5%	3%	8%
B	4%	2%	6%
C	5%	5%	10%
D	10%	10%	20%
All	5%	4%	9%

The value of mistakes varied dramatically from return to return. Returns with higher-than-appropriate refunds were, on average, \$398 too high; those with too-low refunds cost tax filers an average of \$752. But at the extremes, some mistakes had much more significant consequences. One return overstated a filer’s refund by more than \$1,000, and another *understated* the refund by more than \$4,500.

**6. Does the Complexity of the Returns Matter?**

Each year, the analysis has also looked at measures of return complexity, to see whether more mistakes were made on more complicated returns. Once again, more complicated returns do in fact have more mistakes. For example, only 4% of returns with filing status “single” had an incorrect refund amount, compared with 15% of those with “head of household” or other statuses. The overall reduction in mistakes can be seen even on more complicated returns, however, suggesting that the quality review process and training improves quality across the range of returns completed.

**Table 9: Mistakes and Return Complexity**

	# of Returns	% with Mistakes	% with Delayed Refund	% with Incorrect Refund
<b>Filing Status</b>				
Single	114	13%	3%	4%
Other	84	18%	1%	15%
<b>Credits</b>				
None	89	15%	2%	7%
One	66	15%	2%	12%
Two or More	43	16%	2%	9%
<b>Other</b>				
Itemizing (Sch. A)	8	25%	0%	25%
Self-Employed (Sch. C)	8	25%	0%	25%
Rental Income (Sch. E)	1	0%	0%	0%
Amended Return	1	0%	0%	0%
<b>All Returns</b>	<b>198</b>	<b>15%</b>	<b>2%</b>	<b>9%</b>

Despite the overall improvement, however, returns with additional schedules – in particular itemizing (Schedule A) and self-employment (Schedule C) – continue to pose particular challenges for quality. The 25% of these returns with mistakes is far lower than the 33% of Schedule A returns and 64% of Schedule C returns with mistakes in 2007, but still much higher than the average percent of returns with mistakes. (And all those mistakes resulted in incorrect refunds.)

## 7. Do Specific Reviewer Characteristics and Practices Correlate with Improved Quality?

The study also attempted to identify any correlations between specific reviewer characteristics or practices and return accuracy. The results are not always clear-cut, in part due to the small sample sizes for some individual practices. However, the results suggest the following correlations:

- Most campaigns used paid staff as quality reviewers – either site managers or, for larger sites, specialized paid staff. This decision appears to have paid off. The most important factors for quality were the number of hours a week the reviewer spent on the job and whether the reviewer was a paid staff member or volunteer. Reviewers working more than 15 hours per week made mistakes on only 10% of returns, compared with 28% for those working less than 10 hours per week. Reviewers who were paid staff made mistakes on 13% of returns, compared with 20% for volunteer reviewers. The two factors are closely related: all those who worked more than 15 hours a week were paid staff.
- Another factor strongly correlated with quality is the number of years of tax experience held by the reviewer. Those with more than 10 years of experience made mistakes in 13% of returns reviewed, while those with less than four years of experience made mistakes in 20% of returns. Again, those with more experience were more likely (though not always) paid staff working a greater number of hours at the sites.

- The on-line training, as an independent factor, made only a small difference in quality. Quality reviewers who took and passed the training made mistakes in 14% of returns, compared with 17% for those who did not take the training.
- Similarly, the use of a quality review checklist (almost always the checklist provided as part of the training) had some, but not a great deal, of impact. Mistakes occurred in 13% of returns where the checklist was used, compared with 16% where it was not.
- Finally, whether or not the quality reviewer was also preparing tax returns made a small difference, perhaps because it created a distraction or perhaps because those were more likely to be volunteers working in smaller sites. Reviewers who also prepared returns made mistakes in 16% of returns reviewed, compared to 13% for dedicated quality reviewers.

**Table 10: Quality Review Practices and Return Accuracy**

<b>Review Practice</b>	<b>% of All Returns</b>	<b>% with Mistakes</b>
<b>Staff Status</b>		
Reviewer is paid staff	75%	13%
Reviewer is a volunteer	25%	22%
<b>Reviewer Hours</b>		
Reviewer worked at site more than 15 hours per week	49%	10%
Reviewer worked at site 10 to 15 hours per week	35%	16%
Reviewer worked at site less than 10 hours per week	16%	28%
<b>Reviewer Experience</b>		
Reviewer has more than 10 years tax experience	28%	13%
Reviewer has 4 to 10 years tax experience	52%	15%
Reviewer has less that 4 years tax experience	20%	20%
<b>On-Line Training</b>		
Reviewer took on-line training and passed test	32%	14%
Reviewer took on-line training but did not complete test	50%	15%
Reviewer did not take on-line training	18%	17%
<b>Use of Checklist</b>		
Reviewer did not use checklist	16%	13%
Reviewer used checklist	84%	16%
<b>Dedicated Reviewer</b>		
Reviewer did not also prepare tax returns	63%	13%
Reviewer also prepared tax returns	37%	19%

The results – in particular the seeming lack of large impacts related to the on-line training and checklist – suggest that something more is going on at the sites as a result of the quality review process. Clearly the training made a difference, as evidenced by the dramatic overall improvements at quality in the three repeat sites involved in this study. And the 2007 study isolated use of the checklist as a key quality practice.

So what is going on? One explanation is that the overall implementation of a quality review process matters more than any one specific component of that process. In 2008, most reviewers who did not take the training still used a checklist and most of those who did not use a checklist

took the training. Each element likely compensates for the other. (The number who did neither is too small to reliably analyze.)

Furthermore, there seems to have been some “cross-training” at the sites. Eighty-two percent of reviewers took the on-line training, including at least one reviewer in each site. It was not possible to tell, just by observing reviewers, who had taken the training. This suggests that those who took the training passed on at least some of what they learned to their colleagues. It is also possible that the more skilled reviewers – who needed it less – were more likely to ignore the campaign’s direction to take the training and use the checklist (all sites were supposed to do both but, as in most campaigns, partner sites have a lot of independence and nowhere was it strictly enforced).

Finally, it is likely that the implementation of a quality review process shifted the “culture” of sites in a way that influenced quality beyond just the characteristics analyzed above. There was a clear sense in visiting each site that this was a place where not only was quality expected, but that the reviewer’s role was to identify and correct mistakes. This gave the sites a very different feel from the previous year. The reviewers, in turn, took their jobs more seriously than even those sites that ostensibly had review processes the prior year, and volunteers saw reviewers as a resource for answering questions and correcting errors. In fact, tax preparers seemed much more likely to call a reviewer over for advice or bring up a confusing issue than they had previously been to ask a question of a colleague or site manager. In this environment, it would matter less whether or not an individual reviewer took the training or used the checklist. The general expectation of both still contributed to creating the quality environment.

### **Part III: Recommendations and Conclusion**

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Free tax preparation programs fill a critical need in low-income communities. They educate workers about their tax obligations and the benefits available through the EITC and other tax credits. They offer an alternative to commercial firms that can charge more than \$100 for tax preparation. And they promise the expertise of trained tax preparers who can help filers interpret the often complicated and intimidating tax code. Together, the NTA campaigns help to bring hundreds of millions of dollars to low-income working families and communities each year.

This series of reports is an attempt to understand how best to promote quality tax return preparation. The recommendations included here reflect the cumulative wisdom of four years of research and analysis, including reviews of more than 750 tax returns at sites around the country. They represent the best wisdom the field has about return accuracy and the steps that EITC campaigns can take to ensure that low-income working families receive the quality service that campaigns strive to achieve.

The results suggest that these programs also provide a high quality service to low-income tax filers. (The 2006 study also showed that free tax preparation programs measure up favorably against commercial tax preparers, who may have much more serious quality problems.) But the most recent results emphasize that a formal quality review process is the key to ensuring the kind of quality that campaigns strive to achieve. This is a very positive and promising result. Even

smaller campaigns with limited capacity and fewer resources can significantly improve their quality by implementing a review process and taking advantage of the free on-line training.

*This report strongly recommends that on-site quality review become a standard operating procedure at all free tax preparation sites, and that, to the extent possible, campaigns:*

- Prominently emphasize the commitment to quality, encouraging a “culture of quality” throughout the campaign.
- Assign paid staff to the quality reviewer role (either site managers or dedicated staff).
- Take advantage of the on-line training by requiring all reviewers to complete the course.
- Use a formal checklist in completing each review, such as the one provided in the on-line training.
- Monitor sites during the tax season to make sure that the review process is being consistently used.
- Train site managers on the importance of the quality review process so that they understand the value of the added time required.
- Take steps to ease backlog at sites during the busiest times of the tax season, to reduce the tension between quality and quantity.

Quality review should no longer be viewed as a luxury for those sites with high levels of resources and expertise. The on-line training offers an opportunity for every level of site and campaign to implement quality review, and the results described here show that the process can have a dramatic impact at even a small, struggling campaign. Tax preparation is complicated and confusing. Quality review provides support for volunteer tax preparers and reassurance for the low-income workers who come to sites for help.